

## Hope triumphs over retail reality

As the busy Christmas sales season approaches, retailers say sales continue to be challenging. Yet they are responding to green shoots in the economy – recent falls in both the OCR and annual inflation – with a surprising rise in confidence. Optimism is the key word for the results of Retail NZ's latest Retail Radar covering Q3 2024.

At the same time, retailers are fairly evenly split in their views of the Coalition Government's performance during their first year. More than 40% of respondents were non-committal, while the remainder were balanced between thinking the Government was doing poorly or doing a good job.

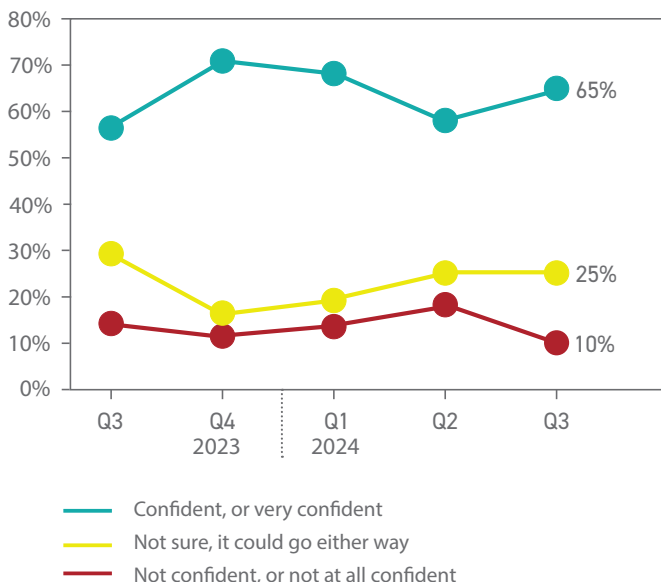
## Confidence rising in retail

Retail NZ's quarterly Retail Radar survey of members shows a noteworthy uplift in confidence, with 65% confident or very confident that their retail business will survive the next 12 months, compared to just 58% last quarter and 57% this time last year.

This optimism is in line with the New Zealand Herald's recent [Mood of the Boardroom](#) survey, where business leaders reported the highest level of confidence in the economy since 2016, with a score of 3.23/5 (almost 64%).

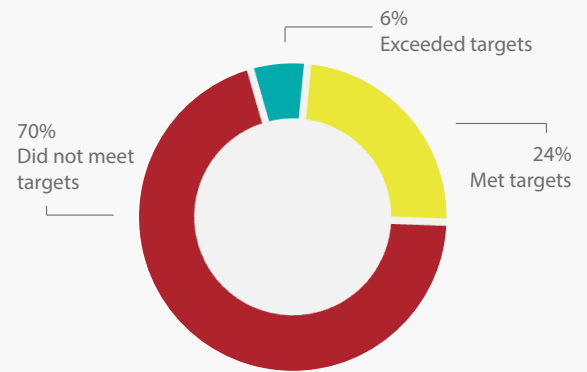
Among those surveyed for Retail Radar, only 10% are not confident, compared to 18% last quarter.

### How confident are you that your business will survive the next 12 months?



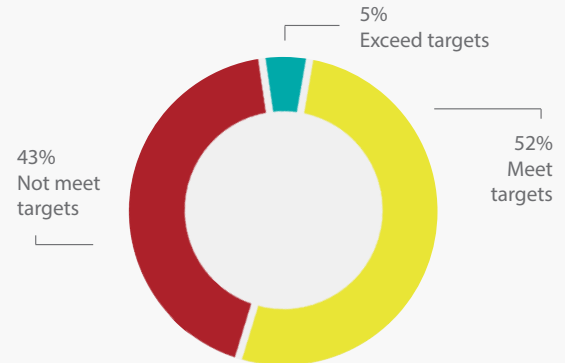
## Past three months

Looking back over the past three months, how did your business track against your targets?



## Next three months

Looking forward over the next three months, how do you expect your business to track against your targets?



In our Q2 Retail Radar, 68% of respondents did not think they would meet their targets for Q3 2024. That expectation has been borne out by this quarter's results, showing that 70% of survey respondents did not meet their sales targets.

Looking forward, retailers are expecting improvements in trading conditions. A startlingly high percentage of respondents (57%) think they will meet or exceed their targets in Q4 compared to our last Retail Radar survey, when only 32% thought they would meet or exceed targets in Q3.

It's encouraging to see that a significant number of retailers are expecting buoyant Christmas sales. Unfortunately, the remaining 43% don't think they will meet their Q4 targets.

## Inflation/cost of living still the big issue

Inflation/cost of living is still the main issue impacting retailers, but concern is declining with a drop from 80% in Q2 to 75% in our latest survey.

As forecast, the [Consumers Price Index](#) for the September quarter showed annual inflation has fallen to 2.2%, the first time it's been in the RBNZ's target band since 2021.

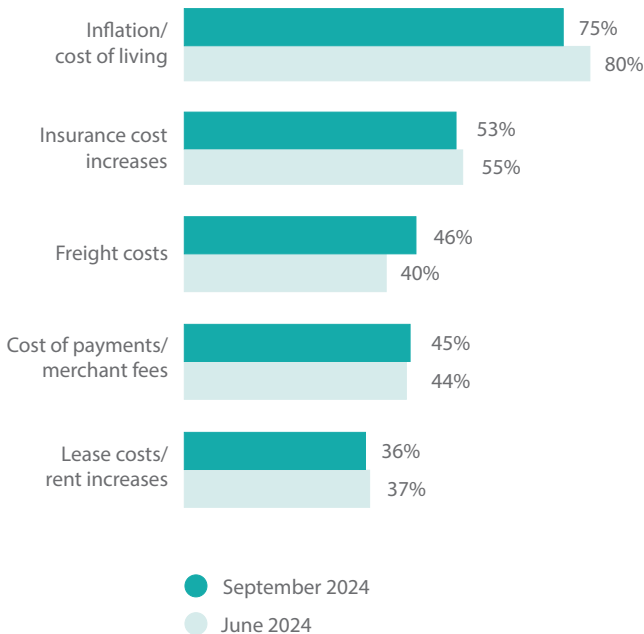
This is good news for retailers and supports their optimism.

Rising insurance costs are continuing to have a big impact on business. However, concern over this issue has fallen slightly with a drop to 53%, down from 55% in both Q1 and Q2 of 2024.

Anxiety over freight costs has increased, rising to 46% from 40% in the previous two quarters. This issue has just nosed ahead of cost of payments/merchant fees which are still in fourth place on the list of concerns at 45%, down from 44% last quarter.

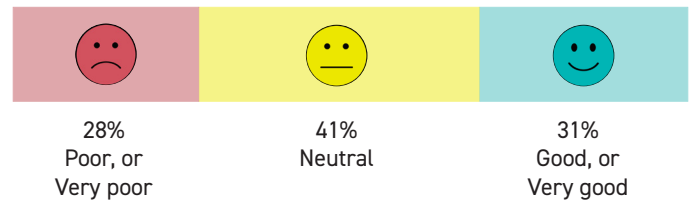
Wage increases have dropped though from fourth to sixth place, with a drop from 40% last quarter to 34% this quarter.

### Top issues impacting retailers (quarter on quarter)



## How has the Coalition Government performed for the retail sector?

On the first anniversary of the Parliamentary elections, the jury is still out when it comes to the Government's performance for the retail sector. Almost equal numbers think they have performed poorly or performed well, while over 40% are neutral.



*"The focus on regulation reviews has sent the right signals to business."*

*"They have spent a lot of time telling people they don't have any money, people are believing it and not spending in retail businesses like us."*

*"They promised action for small business - where is it? Seems downhill for some time to come and then the promised land. 'Survive 'til '25' or is that now '26? A lot more small businesses can still go bust."*

*"We appreciate the current govt has had a hell of a mess to clean up before things can turn around. We're confident we are on the right track but we do desperately need to see further drops in the OCR before Xmas."*

#### Methodological notes:

\*This Retail Radar report presents the results of a survey of Retail NZ members.

Got questions? Email us at [research@retail.kiwi](mailto:research@retail.kiwi)